

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

<b>In Re:</b>  <b>W.R. GRACE &amp; CO., et al.,</b>  <b>Debtors.</b>	<b>§</b> <b>§</b> <b>§</b> <b>§</b> <b>§</b> <b>§</b>	<b>Chapter 11</b>  <b>Jointly Administered</b> <b>Case No. 01-01139 (JKF)</b>
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**FEE AUDITOR'S INITIAL REPORT REGARDING  
FEE APPLICATION OF BMC GROUP  
FOR THE TWENTY-EIGHTH INTERIM PERIOD**

THIS INITIAL REPORT HAS **NOT** BEEN FILED WITH THE COURT. YOUR RESPONSE SHOULD BE SENT TO BRUHLANDER@WHSMITHLAW.COM, IN ELECTRONIC FORMAT, WITHIN **15 DAYS** OF RECEIPT OF THIS INITIAL REPORT, SO THAT WE CAN TIMELY FILE A FINAL REPORT WITH THE COURT.

This is the initial report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Quarterly Fee Application of BMC Group for the Twenty-Eighth Interim Period (the "Application").

**BACKGROUND**

1. BMC Group ("BMC") was retained as Claims Reconciliation and Solicitation Consultant to the Debtors. In the Application, BMC seeks approval of fees totaling \$88,508.00 and expenses totaling \$7,333.30 for its services from January 1, 2008 through March 31, 2008 (the "Application Period").

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time and expense entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware,

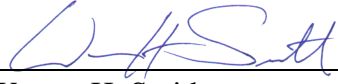
Amended Effective February 1, 2008, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, Issued January 30, 1996 (the "Guidelines"), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals.

### **DISCUSSION**

3. We note that during the current Application Period, BMC billed 109.40 hours, for total fees of \$22,914.00, on matters pertaining to its fee application preparation. Cumulatively, over the term of BMC's involvement in the case, we calculate BMC's total fees for fee application preparation at \$553,250.50. This computes to 8.5% of the total fees billed by BMC in the case to date. Although the Court has not set a defined limit on fees for fee application preparation in this case, such fees must still be reasonable under Section 330 of the Bankruptcy Code. A number of courts, including this one, have established 5% of the total fees billed as a guideline for reasonableness for such fees. Please explain why the amount of BMC's fee application preparation fees should be considered reasonable, and explain any special factors which you believe merit consideration.

Respectfully submitted,

**WARREN H. SMITH & ASSOCIATES, P.C.**


By:   
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**FEE AUDITOR**

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing document has been served by First Class United States mail to the attached service list on this 31<sup>st</sup> day of July, 2008.

  
Warren H. Smith

**SERVICE LIST**

Notice Parties

**The Applicant**

Jeffrey R. Miller

BMC Group

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